

CHAPTER 2

RECORD KEEPING REQUIREMENTS

Section 2-1

REQUIRED RECORDS

2-1.1 Authorization. Section 251 of the *Michigan Vehicle Code* (MCL 257.251) requires vehicle dealers to make and keep certain records concerning vehicle sales transactions. These records must be kept for a minimum of five years. They must be available for inspection by law enforcement officials and Michigan Department of State investigators during unannounced visits.

2-1.2 Required Records. A dealer must have the original title or another proper ownership document for every used vehicle in the dealer's possession. Other records which dealers must maintain are identified below.

2-1.3 Class A Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Copies of processed RD-108s;
- b) Police Book (hardcover or computerized) or washout system;
- c) Copies of front and back of conforming titles for odometer disclosure;
- d) Copies of separate odometer disclosure statements used with non-conforming titles, manufacturer's certificates of origin (MCO), or new vehicle sales with electronic manufacturer's certificates of origin;
- e) Copies of purchase agreements;
- f) Titles or other ownership documents (TR-42, TR-52, etc.);
- g) Copies of salvage disclosure statements;
- h) Copies of installment sales or lease contracts;
- i) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- j) Copies of *Salvage Vehicle Recertification Inspection* forms (TR-13A, TR-13B);

- k) Copies of temporary registrations and a separate log of temporary registrations;
- l) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- m) Copies of *Major Component Parts Records* (parts sales records);
- n) Copies of auction receipts.

2-1.4 Class B Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Title or other ownership documents (TR-42, TR-52, etc.);
- b) Copies of processed RD-108s;
- c) Police Book (hardcover or computerized);
- d) Copies of front and back of conforming titles for odometer disclosure;
- e) Copies of separate odometer disclosure statements used with non-conforming titles;
- f) Copies of salvage disclosure statements;
- g) Copies of purchase agreements;
- h) Copies of finance contracts;
- i) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- j) Copies of *Salvage Vehicle Recertification Inspection* forms (TR-13A, TR-13B);
- k) Copies of temporary registrations and a separate log of temporary registrations;
- l) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- m) Copies of *Major Component Parts Records* (parts sales records);
- n) Copies of auction receipts.

2-1.5 Class C and Class R Dealers. The following records are needed:

- a) Titles or other ownership documents (TR-42, TR-52, etc.);
- b) Police Book (hardcover or computerized);
- c) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- d) Copies of *Major Component Parts Records* (parts sales records);
- e) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- f) Copies of bills of sale or receipts for parts sales;

- g) Copies of auction or salvage pool bills of sale.

2-1.6 Class D and Class G Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Police Book (hardcover or computerized);
- b) Copies of front and back of conforming titles for odometer disclosure;
- c) Copies of separate odometer disclosure statements used with non-conforming titles;
- d) Copies of salvage disclosure statements;
- e) Copies of broker fee agreements;
- f) Copies of purchase agreements;
- g) Copies of RD-108s for retail sales;
- h) Copies of temporary registrations and a separate log of temporary registrations.

2-1.7 Class E Dealers. The following documents are needed:

- a) Titles or other ownership documents (TR-42, TR-52, etc.);
- b) Police Book (hardcover or computerized);
- c) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- d) Copies of separate odometer disclosure statements used with non-conforming titles.

2-1.8 Class F Dealers. The following documents are needed:

- a) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- b) Police Book (hardcover or computerized).

2-1.9 Class H Dealers. The following documents are needed:

- a) Police Book (hardcover or computerized);
- b) Copies of *Major Component Parts Records* (parts sales records);
- c) Copies of odometer disclosure statements;
- d) Copies of salvage disclosure statements;
- e) Copies of bills of sale or receipts for parts sales;
- f) Copies of auction receipts.

Section 2-2

POLICE BOOK

2-2.1 Description. A Police Book may be a hardcover, bound volume or a computerized record (see Section 2-3 for additional information on Computerized Police Books), containing a complete bought-and-sold record for each vehicle handled by a dealer. The hardcover Police Book must be completed in ink. Police Books can be purchased at office supply stores or printing companies (see Appendix B).

2-2.2 Use. When a dealer buys or acquires a vehicle for sale, certain information must be entered into the Police Book or washout system. The following information is required:

- a) Name and address of the person from whom the vehicle was acquired (not the name of the auction);
- b) Date the dealer purchased or acquired the vehicle;
- c) Stock or inventory number assigned;
- d) Title number (does not apply to new vehicles). If the title is not yet available, leave the space blank. The vehicle may not be offered for sale until the dealer possesses a properly assigned title;
- e) If the vehicle does not have a Michigan title, the state or country issuing the title;
- f) Vehicle Identification Number (VIN);
- g) Description of the vehicle (year, make, body style, color, etc.);
- h) If the vehicle was purchased or sold through a broker, the broker's dealer license number;
- i) Whether the vehicle has a salvage or scrap title;
- j) Buyer's name and address; and,
- k) Date of sale.

NOTE: Michigan's Truth-in-Brokering Act requires that if the vehicle is purchased, sold, leased, or exchanged through a broker, the Police Book must include the broker's name and dealer license number and the amount of the broker's fee, commission, compensation, or other valuable consideration paid by the purchaser or lessee or paid by the dealer, or both.

2-2.3 Dismantled Vehicle Requirements. When a vehicle or its remaining parts is sold or delivered after dismantling, the following information must be recorded in the Police Book:

- a) Name and address of buyer;
- b) Date of sale or date of delivery of the vehicle to the buyer;

- c) Date the title was mailed or surrendered to the Department if the vehicle was sold to a scrap metal processor;
- d) Title number of the title transferred to the buyer if it is not the same title received from the seller. (Example: the dealer applied for a salvage title or resale title before selling the vehicle.)

NOTE: A dealer licensed as only a scrap metal processor (Class F) needs a Police Book entry only for vehicles bought from non-dealers. No Police Book entry is needed for a vehicle bought from a dealer, but the form TR-9, Scrap Vehicle Inventory, must be kept for five years.

Section 2-3

COMPUTERIZED POLICE BOOK

2-3.1 Requirement. A dealer's Police Book may be a hardcover, bound volume, or a computerized record that meets the standards set by the Department of State.

2-3.2 Required Records. All dealers must capture the following in their Police Books:

- a) Stock number assigned to the vehicle;
- b) Vehicle description: VIN, year, make, model, body style;
- c) Title number and an indication whether the title is a regular, salvage, or scrap title;
- d) Name and address of seller;
- e) Name and address of buyer;
- f) Date of purchase (acquisition); and
- g) Date of sale (disposal).

Used Vehicle Parts Dealers (Class C), Scrap Metal Processors (Class F), Foreign Salvage Vehicle Dealers (Class H), and Automotive Recyclers (Class R) must also record the vehicle's color with the vehicle description information.

Class C, H and R dealers must also maintain their major component parts sale record in their Police Book or as an attachment. Dealers may link the major component parts sale record as an electronic sub-record to the Police Book using a common number or "key word" such as the vehicle identification number or stock number.

New vehicle dealer, used vehicle dealer, and broker records must include the amount of any fee, commission, compensation, or other valuable consideration paid by the buyer or seller to a third party (broker) involved in a vehicle transaction. The broker's name and dealer number must also be kept in the records of new and used vehicle dealers.

2-3.3 Reporting Requirements. All records must be kept for five years. Dealers who choose to keep electronic records must print a paper copy of the records of new entries at least once a week and have it available for Michigan Department of State investigators. The printed copy must be cumulative and must be kept for five years. The electronic record may be kept for five years, but this is not required if computer storage space is limited.

The paper copy must be printed in the following format: stock number order first with all other fields either following or indented under the stock number. The paper copy record may be printed on any size paper but it must be printed in at least 10 characters-per-inch type, have no more than six horizontal lines per inch, and have at least one-half inch margins at the top, bottom, and sides.

Each record should contain a “remarks” area for dealers to keep miscellaneous information about the vehicle. For example, remarks could include the name of the auction if the vehicle was purchased at an auction; whether the title is a foreign title; and the new title number if the title was full and was surrendered for a resale title.

2-3.4 Security Features. Any software used by dealers for computerized Police Books must contain certain security features. The program must assign an automated transaction code each time a new entry is created. The transaction code can be as simple as a numeric code starting with “1”. The program must also automatically record the current date each time an entry is created. This date is not the same as the “purchase date” or “acquisition date” field but is a separate date that will create a chronological history of the entry. Both the transaction code and the date must print on the paper copy of the records. The final security feature required is one that will prevent a record from being deleted. Once a record is created, it may be corrected or edited but must not be deleted.

2-3.5 Software Testing. The Department of State will not test, evaluate, or recommend software. Dealers are responsible for meeting the record keeping and reporting guidelines. Questions about these guidelines should be directed to the Dealer Program Section (see *Important Telephone Numbers* at the beginning of this manual).

For a list of vendors providing Police Book software, see Appendix B, Section 3.

2-3.6 Labels. The hardcover Police Book may be completed using a computer-generated label pasted into the book. It must contain all required information and have “tamper proof” adhesive.

Section 2-4

WASHOUT SYSTEM

2-4.1 Restrictions. This is a record keeping system approved for Class A New Vehicle dealers only. A washout system must contain the same information as a Police Book; see Section 2-2.2.

Class A vehicle dealers may also choose to keep this information in an electronic format. Dealers who choose to keep records electronically must make certain that their software meets the requirements for electronic record keeping. For more information on these requirements, see Section 2-3, Computerized Police Book.

2-4.2 Use. A stock number is assigned to a new unit. When the vehicle is sold, the trade-in vehicle is given the same number, followed by an “A”. When that vehicle is sold, the next vehicle taken in trade becomes “B”, etc. When the last vehicle in the chain is sold without a trade-in, the record is “washed out.”